

VZCZCXYZ0002
RR RUEHWEB

DE RUEHAC #0768/01 2091515
ZNR UUUUU ZZH
R 281515Z JUL 06
FM AMEMBASSY ASUNCION
TO RUEHC/SECSTATE WASHDC 4588
INFO RUCNMR/MERCOSUR COLLECTIVE
RHEHNSC/WHITE HOUSE NSC WASHDC
RUMIAAA/USCINCSO MIAMI FL//SCJ5//
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEAIIA/CIA WASHDC

UNCLAS ASUNCION 000768

SIPDIS

SENSITIVE
SIPDIS

STATE FOR EB/IFD/OIA AND INL - ABBY SMITH
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SQTHCOM FOR POLAD

E.O. 12958: N/A
TAGS: [PGOV](#) [PHUM](#) [PREL](#) [SMIG](#) [KCRM](#) [PA](#) [SP](#) [BO](#)
SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, JULY 22 -
28 2006

REF: A. ASUNCION 00748
[1](#)B. ASUNCION 00749 AND PRECEDING

[1](#)1. (U) SUMMARY:
-- Growing Protests in CDE
-- Couple Accused of Trafficking Children to Spain
-- IMF Director Compliments Paraguay's Performance

Growing Protests in CDE

[1](#)2. (SBU) On 7/21, Embassy sources reported that approximately 600 protesters marched peacefully in Ciudad del Este in a demonstration against the Israeli strikes in Lebanon and the foreign policy of President Bush. The protesters included members of the National Coordinating Movement of Farmer Organizations (MCNOC), the group "Literacy for Adults, Faith and Happiness of Concepcion, Chore, and San Pedro of Ykua Mandyju" and members of the Lebanese communities of CDE, Foz de Iguazu (Brazil), Uruguay, Argentina and other countries.

[1](#)3. (U) On 7/24, local press reported that approximately 3,000 protesters participated in the Second Social FQm of the Tri-Border Area (TBA). A series of demonstrations that began Friday, 7/21 and ended Sunday, 7/23, intended to show support for the Lebanese and Palestinian people. Other themes included protest of a purported construction of a military base in the TBA, the renewal of US military exercises in Paraguay, and debt associated with Itaipu Binacional and Yacyreta. They also addressed issues such as the agrarian crisis in Paraguay, the crisis in the universities, "Operation Condor in the TBA", and terrorism of the state. Protesters included people from more than ten Latin American countries, including: Paraguay, Brazil, Argentina, Chile, Uruguay, Venezuela, Bolivia, Cuba, Peru, Ecuador and Mexico. (Comment: While TBA protests over the Middle East crisis have been peaceful thus far, the Asuncion Jewish community is concerned for its safety and has increased security (Ref. A). RSO and Post continue to monitor the situation. End Comment.)

Couple Accused of Trafficking Children to Spain

¶4. (U) On 7/27, Claudia Lorena Martinez and Andres Eligio Ponce, both of Spanish descent, were detained for trafficking children to Spain and possibly selling internal organs as well. Martinez and Ponce were previously involved in a case of falsified passports, which resulted in a warrant for Ponce's arrest in 2005. Ponce was in prison in Tacumbu, but has since been moved to the prison in Emboscada. Since the mothers of both Martinez and Ponce are Spanish, the couple did not have trouble entering Spain with the children, whom they took to Spain to be adopted for a price of USD 6,000 to 10,000 per child. Prosecutor Cristina Avalon recovered public health and civil registry documents which indicated that the biological mother of the girls who were rescued is Claudia Martinez herself, although two different names of a biological father appeared on different copies of the documents. The investigation is ongoing to determine whether the couple was involved in the trafficking of organs as well.

IMF Director Compliments Paraguay's Performance

¶5. (U) An IMF staff mission is in Paraguay to begin the first review of Paraguay's new IMF program. According to press reports, Mission Chief Alejandro Santos indicated that while time is needed for more precise conclusions and exact figures, he said that the GOP appears to be on track to meet the program's near-term targets. Santos commented favorable on the Central Bank's ability to rein in inflation in the second quarter. IMF staff and the Finance Ministry are now

looking to identify problem areas and develop compensation plans for the rest of the year. Vice Minister Jorge von Horoch emphasized the importance of public investment and the need to differentiate between quality and quantity of expenses. Program goals for 2006 include an inflation rate between 2.5 percent and 7.5 percent, a balanced budget, and public investments accounting for 4.5 percent of GDP. Details of plans for private sector participation in State-owned enterprises remain to be developed.
CASON